ICAEW
REPRESENTATION 16/26

CLIENT CATEGORISATION AND CONFLICTS OF INTEREST

Issued 9 February 2026

ICAEW welcomes the opportunity to comment on the consultation paper *Client categorisation and conflicts of interest* published by the Financial Conduct Authority on 8 December 2025, a copy of which is available from this link.

This response of 9 February 2026 has been prepared by the ICAEW Corporate Finance Faculty. The faculty is ICAEW's centre of professional expertise in corporate finance. It contributes to policy development and responds to consultations by international organisations, governments, regulators and other professional bodies. It provides a wide range of services, information, guidance, events and media to its members, including its highly regarded magazine Corporate Financier and its popular series of best-practice guidelines. The faculty's international network includes member organisations and individuals from major professional services groups, specialist advisory firms, companies, banks and alternative lenders, private equity, venture capital, law firms, brokers, consultants, policymakers and academic experts. More than 40 per cent of the faculty's membership are from beyond ICAEW.

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ANSWERS TO SPECIFIC QUESTIONS

Question 8 Do you agree with our proposals to remove the distinctions in thresholds for categorising large undertakings and trustees other than pension trustees for MiFID and non-MiFID business? [Yes, No, No view] If yes or no, please explain your answer.

1. We do not agree with the proposals to apply the large undertaking MiFID criteria to non-MiFID business because of the adverse consequences of not allowing non-MiFID firms to apply the size thresholds on a group basis. For ICAEW member firms that are non-MiFID firms the consequences include:
   - limiting choice for and adding burden to re-categorised clients whose regulated firm of choice does not service retail clients; and
   - hampering the growth of regulated firms whose client base is substantially re-categorised as retail.
2. While this may streamline the current size thresholds, as the MiFID size thresholds must be applied on a company basis, this may lead to certain large corporate organisations that would have satisfied the requisite size threshold as a group (to qualify as a per se professional client for non-MiFID business) to be unintentionally categorised as retail clients instead.
3. For example, a client who is a holding company (Holdco) of a large corporate group with a nominal financial position on a standalone basis but with sufficient trading operations and assets within its subsidiaries that would satisfy the large undertaking size thresholds will no longer qualify as a per se professional client under the proposed new rules, even though the financial position of the group (whether via other group entities or on a consolidated basis) provides a truer reflection of the size of the undertaking than Holdco on its own.
4. These large corporate organisations would consequently be subject to the necessary opt-up processes if they sought to qualify as an elective professional client. Retaining the ability for non-MiFID firms to rely on group accounts to satisfy the size thresholds will remove this additional client burden without diminishing the regulator's objectives to improve retail safeguards for the smaller companies and individuals.
5. We note that disallowing the size thresholds from being applied on a group basis appears to be a reversal of the FCA's position in 2007, when it retained the ability for non-MiFID firms to undertake the categorisation of such undertakings on a group rather than company basis when MiFID client categorisation rules were being implemented.